

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08
NSC-05 SS-15 STR-05 OMB-01 CEA-01 CIAE-00 COME-00
FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04
SIL-01 L-03 H-02 PA-02 PRS-01 /113 W
-----089543 131111Z /12

P R 130920Z OCT 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 1945
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBSSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- OCT 6-13

1. SUMMARY. YEN RISES ANOTHER ONE PERCENT AGAINST DOLLAR.
PRIME MINISTER PUSHES FOR FASTER IMPLEMENTATION OF MEASURES
TO REDUCE PAYMENTS SURPLUS. ACCELERATED URANIUM IMPORTS
ANNOUNCED ECONOMIC PLANNING AGENCY AND BANK OF JAPAN SEE
ECONOMIC ACTIVITY STILL SLUGGISH, WITH GLIMMERS OF IMPROVEMENT IN
SOME SECTORS BALANCED BY NEW WORRIES AMONG EXPORTERS. NEW
MACHINERY ORDERS UP STRONGLY IN AUG; CAR REGISTRATIONS PERK UP
IN SEPT. BANKRUPTCY SITUATION IMPROVES SOME IN SEPT. WHOLESALE
PRICES CREEP UP 0.1 PERCENT IN SEPT AND CALL MONEY
RATES MARKED DOWN IN OCT. END SUMMARY.

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2. THE YEN APPRECIATED ANOTHER ONE PERCENT AGAINST THE DOLLAR
BETWEEN OCT 7 AND OCT 13, AFTER RISING 3 PERCENT IN THE
PREVIOUS WEEK. ON THURS, OCT 6, THE YEN BROKE THROUGH
THE 260 PER DOLLAR RATE IN HECTIC TRADING AND AMID REPORTS
OF STRONG BOJ INTERVENTION WHICH THE TOKYO PRESS ESTIMATED
AT \$400 MIL. FURTHER SMALL GAINS WERE REGISTERED LAST FRI

WHEN THE YEN CLOSED AT 258.80 ON SUBSTANTIALLY REDUCED VOLUME. AFTER A LONG WEEKEND PUNCTUATED BY HIGHLY EMOTIONAL HEADLINES AND NEWS STORIES CONCERNING THE EXCHANGE RATE AND PAYMENTS ISSUES, THE EXCHANGE RATE CLIMBED ANOTHER 2 YEN ON TUESDAY TO CLOSE AT 256.70 ON MODERATE VOLUME. SOME EASING ON WED, OCT 12, WAS AGAIN FOLLOWED BY A SHARP BREAK TO 255.60 AT THE OPENING ON THURSS, OCT 13.

IN CONTRAST TO THE WEEK EARLIER TRADING, THERE HAVE BEEN NO REPORTS OF LARGE-SCALE BOJ INTERVENTION IN THE LAST FOUR TRADING DAYS. ALSO, FOLLOWING THE BREAK THRU 260, COMMENTS TO THE PRESS BY BOTH MARKET OPERATORS AND VARIOUS GOVERNMENT OFFICIALS ABOUT THE NATURE OF THE YEN SURGE APPEAR TO HAVE CHANGED CHARACTER. EARLIER COMMENTS THAT THE RISE WOULD PROVE TEMPORARY OR WOULD BE DAMAGING IF IT PERSISTED HAVE GIVEN WAY TO STATEMENTS THAT APPRECIATION TO THE 250-260 RANGE WILL BE ENDURING, IS UNAVOIDABLE AND WILL REQUIRE ADJUSTMENT BY JAPANESE FIRMS.

3. THE BREAK THRU 260 HAS ALSO BEEN ACCOMPANIED BY INTENSIFIED CONCERN BY THE PRIMIN AND OTHER KEY GOJ OFFICIALS FOR THE SPEEDY REDUCTION OF THE JAPANESE SURPLUS. ACCORDING TO PRESS REPORTS, PM FUKUDA AT A CABINET MEETING OCT 12 CALLED ON MINISTERS TO SPEED UP THE IMPLEMENTATION OF THE SEPT 3 SEPT 20 PROGRAMS TO CUT THE BALANCE OF PAYMENTS SURPLUS. HE REPORTEDLY DIRECTED MITI MINISTER UNCLASSIFIED

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TANAKA AND AGRICULTURE-FORESTRY MINISTER SUZUKI TO GIVE MORE SERIOUS CONSIDERATION TO MEASURES TO INCREASE IMPORTS. THE PRIME MINISTER'S APPEARL APPARENTLY FOLLOWED A STRONG CALL FOR SUCH ACTION BY BANK OF JAPAN (BOJ) GOVERNOR MORINAGA. IN PRESENTING THE BOJ MONTHLY ECONOMIC REPORT TO THE CABINET, MORINAGA IS REPORTED TO HAVE TOLD MINISTERS THAT THE RECENT SHARP APPRECIATION OF THE YENHSTEMS FROM JAPAN'S CONTINUING LARGE CURRENT ACCOUNT SURPLUS. HE ASKED THE GOVT TO IMPLEMENT IMMEDIATELY THE SURPLUS-CUTTING MEASURES IT ANNOUNCED SEPT 20. THIS SAME THEME WAS ALSO REPEATED BY THE CHAIRMAN OF THE LIBERAL DEMOCRATIC PARTY'S POLICY AFFAIRS RESEARCH COUNCIL, KOMOTO. IN A SPEECH OCT 12 KOMOTO SAID JAPAN RISKED THE POSSIBILITY OF "BALANCED CONTRACTION" IN ITS TRADE IF STEPS WERE NOT QUICKLY IMPLEMENTED TO REDUCE THE SURPLUS.

ON THE SAME DAY, OCT 12, MITI ANNOUNCED IT PLANNED TO ACCELERATE PAYMENT FOR THREE YEARS SUPPLY OF PROCESSED URANIUM IMPORTS. MITI SAID IT WOULD LICENSE URANIUM IMPORTS FOR 1978-80 AND ADVANCE PAYMENT TOTALING \$126 MIL WOULD BE PAID BY NOV OF THIS YEAR. JAPAN EXIMBANK CREDITS WILL BE PROVIDED TO FINANCE 70 PERCENT OF THE URANIUM IMPORTS AT AN ANNUAL INTEREST RATE OF 6 PERCENT.

MITI ALSO SAID SPECIAL IMPORT PROMOTION MISSIONS WOULD
BE DISPATCHED TO THE U.S. AS SOON AS POSSIBLE.

4. THE ECONOMIC PLANNING AGENCY (EPA) AND THE BANK OF JAPAN
(BOJ) EACH RELEASED MONTHLY ECONOMIC ASSESSMENTS THIS WEEK THAT
PICTURED THE ECONOMY IN A BASICALLY COLORLESS, SLUGGISH RE-
COVERY PHASE. BOTH AGENCIES NOTED A PICKUP IN CONSTRUCTION
ORDERS AND ACTIVITY AS A RESULT OF THE GOVT'S PUBLIC WORKS
PROGRAM AS WELL AS SOME PROGRESS IN ADJUSTING INVENTORIES TO
DESIRED LEVELS IN SEVERAL KEY INDUSTRIES. HOWEVER, BOTH
AGENCIES SEE LITTLE EVIDENCE OF A PICKUP IN EITHER CONSUMPTION
OR PRIVATE INVESTMENT. THE BOJ OPINED THAT FUTUR BUSINESS
TRENDS WOULD BE HANDICAPPED BY THE DEFLATIONARY EFFECTS
OF THE RAPID YEN APPRECIATION.

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5. NEW MACHINERY ORDERS, SEASONALLY ADJUSTED, ROSE
SHARPLY IN AUG FOLLOWING THE DECLINE IN JULY.
AUG STRONG ORDERS FOR MACHINERY WERE ATTRIBUTABLE TO BOTH
PRIVATE AND PUBLIC SECTORS. REFLECTING THE GOVT'S PUBLIC
WORKS PROGRAM, ORDERS PLACED BY GOVT AND PUBLIC AGENCIES
ROSE BY 68 PERCENT IN AUG. PRIVATE ORDERS EXCLUDING SHIPS
WERE ALSO UP A RESPECTABLE 13 PERCENT ON TOP OF
INCREASES IN PRECEDING TWO MONTHS, ELECTRIC POWER INDUSTRY
WAS THE MAJOR CONTRIBUTOR TO PRIVATE SECTOR RISE IN AUG.

NEW MACHINERY ORDERS, SEASONALLY ADJUSTED
(BIL YEN; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

	PRIVATE ORDERS (EXCL. SHIPS) (JEI 337)	GOVT AND PUBLIC ORDERS (JEI 335)
JUNE	227.9 (4.2)	156.8 (113.2)
JULY	230.4 (1.1)	87.9 (MIN 43.9)
AUG	260.6 (13.1)	147.4 (67.6)

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P R 130920Z OCT 77

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6. AFTER SEVERAL MONTHS OF SAGGING SALES, NEW CAR REGISTRATIONS ROSE A SHARP 10 PERCENT (S.A.) IN SEPT. HOWEVER, THIS STILL LEFT THIRD QUARTER REGISTRATIONS OFF 8.1 PERCENT (S.A.) FROM SECOND QUARTER LEVELS BECAUSE OF THE SLOW PACE OF CAR SALES IN JULY AND AUG. THE THIRD QUARTER DECLINE FOLLOWS - \$80 9* 4.7 PERCENT (S.A.) IN THE APRIL-JUNE QUARTER.

NEW CAR REGISTRATIONS, SEASONALLY ADJUSTED
PERCENT CHANGE

	THOUSAND CARS	FROM PRIOR PERIOD
RECENT MONTHS:		

JULY	208.5	MIN 4.3
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AUG	177.1	MIN 15.0
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SEP	194.9	10.0
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RECENT QUARTERS (MONTHLY AVERAGE):

JAN-MAR	220.9	10.0
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APR-JUNE	210.4	MIN 4.7
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JUL-SEP	193.5	MIN 8.1
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7. THE BANKRUPTCY RATE IN SEPT REMAINED VIRTUALLY UNCHANGED FROM PRIOR MONTH. THE TWO PRIVATE RESEARCH ORGANIZATIONS WHICH COLLECT STATISTICS PLACED BANKRUPTCY CASES IN SEPT AT 1,540/1,541 (N.S.A.). THE LIABILITIES OF BUSINESS FIRMS DECLARING BANKRUPTCY CAME TO \$962 MIL EQUIVALENT (AT CURRENT YEN/DOL RATE). THE NUMBER OF BANKRUPTCY CASES IN SEPT REMAINED VIRTUALLY UNCHANGED FROM AUG LEVELS. VALUE OF LIABILITIES INVOLVED FELL BY 18 PERCENT (N.S.A). FIRMS IN INDUSTRIES FACING STRUCTURAL DIFFICULTIES SUCH AS CONSTRUCTION, LUMBER, REAL ESTATE, TEXTILE, AND SHIPBUILDING, WERE PROMINENT AMONG THOSE DECLARING BANKRUPTCY IN SEPT.

8. FOLLOWING TABLE SHOWS FACTORS CONTRIBUTING TO AUG CHANGES IN M-2, N.S.A. (TOKYO 15500), WHICH HAVE BEEN RELEASED BY BOJ RECENTLY. EXCLUDING FOREIGN ASSETS, NET, ALL SECTORS

CONTRIBUTED TO DECLINE IN MONEY SUPPLY IN AUG.

CHANGES IN M-2

JUNE JULY AUG

(MONTHLY PERCENT CHANGE AT ANNUAL RATE, I.E. TIMES 12)

M-2, S.A. 15.4 22.6 0.4

M-2, N.S.A. 26.5 12.5 MIN 12.0

(FACTORS CONTRIBUTING TO CHANGES IN M-2, N.S.A.):

CREDITS TO:

PRIVATE SECTOR 15.6 18.0 MIN 0.6

NATL GOVT 14.9 MIN 5.5 MIN 7.3

LOCAL GOVTS MIN 1.7 MIN 0.7 MIN 0

FOREIGN ASSETS,

NET 1.7 2.1 0.5

OTHERS MIN 4.0 MIN 1.4 MIN 4.5

TOTAL ALL FACTORS

26.5 12.5 MIN 12.0

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9. WHOLESALE PRICE INDEX, NOT SEASONALLY ADJUSTED, EDGED UP 0.1 PERCENT IN SEPT, BOJ ANNOUNCED OCT 12. SEPT WHOLESALE PRICES OF MANUFACTURED GOODS REMAINED UNCHANGED FROM PRIOR MONTH. FOR JUL-SEP QUARTER, WHOLESALE PRICE INDEX DECLINED 0.5 PERCENT FROM PRIOR QUARTER, THE FIRST QUARTERLY DECLINE SINCE SECOND QUARTER OF 1975. WHOLESALE PRICES OF MANUFACTURED GOODS ALSO DROPPED DURING THIRD QUARTER OF THIS YEAR, THOUGH LESS SHARPLY AT 0.2 PERCENT.

WHOLESALE PRICE INDEX, NOT SEASONALLY ADJUSTED

(1970 EQUALS 100; PERCENT CHANGE FROM PRIOR

PERIOD IN PAREN)

ALL COMMODITIES (JEI 471) MANUFACTURES (JEI 487)

RECENT MONTHS:

JULY 168.3 (MIN 0.5) 159.5 (MIN 0.3)

AUG 168.6 (0.2) 159.8 (0.2)

SEP 168.8 (0.1) 159.8 (0)

RECENT QUARTERS (MONTHLY AVERAGE):

1977: JAN-MAR 169.2 (0.4) 159.7 (0.2)

APR-JUNE 169.4 (0.1) 160.0 (0.2)

JUL-SEP 168.6 (MIN 0.5) 159.7 (MIN 0.2)

10. CALL MONEY DEALERS LOWERED CALL MONEY RATES

BY 0.125 PERCENT, EFFECTIVE OCT 12. NEW CALL MONEY RATE

(UNCONDITIONAL) IS 4.875 PERCENT PER ANNUM. BILL DISCOUNT

RATE HAS REMAINED UNCHANGED AT 5.25 PERCENT PER ANNUM SINCE

SEP 5.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, FINANCIAL DATA, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 13-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
Disposition Reason:
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Enclosure: n/a
Executive Order: N/A
Errors: N/A
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From: TOKYO USEEC
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 927874
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS -- OCT 6-13
TAGS: EFIN, ECON, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/cf0f952f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009